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**Law No. (5) of 2005 ratifying the Convention between the Government of the kingdom of Bahrain and the Government of the Republic of Lebanon for the Promotion and Protection of Mutual Investments**

We Hamad bin Isa Al Khalifa King of the Kingdom of Bahrain.

Having reviewed the Constitution;

And the Convention between the Government of the kingdom of Bahrain and the Government of the Republic of Lebanon for the Promotion and Protection of Mutual Investments signed in Beirut on 9 Jumada al-Akhir 1424 A.H., corresponding to 7 August 2003

The Shura Council and the Council of Representatives have approved the following Law, which we have ratified and enacted:

**Article One**

The Convention between the Government of the kingdom of Bahrain and the Government of the Republic of Lebanon for the Promotion and Protection of Mutual Investments signed in Beirut on 9 Jumada al-Akhir 1424 A.H., corresponding to 7 August 2003, attached to this Law was ratified.

**Article Two**

The Ministers- each within his jurisdiction- shall implement this Law, and it shall come into force the day following the date of its publication in the Official Gazette.

**King of Kingdom of Bahrain**

**Hamad bin Isa Al Khalifa**

Promulgated in Riffa Palace:

On: 2 Rabi' al-Akhir 1426 A.H.

Corresponding to: 10 May 2005

**Convention Between the Government of the Kingdom of Bahrain and the Government of Republic of Lebanon for the Promotion and Protection of Mutual Investments**

The Government of the Kingdom of Bahrain and the Government of the Republic of Lebanon, hereinafter referred to as the Contracting Parties,

Desiring to enhance economic cooperation in the mutual interest of both countries,

Resolved to create and maintain favourable conditions for investments by investors belonging to one of the two Contracting Parties in the territory of the other Contracting Party.

Aware that the encouragement of such investments and their mutual protection under a bilateral Convention would stimulate economic and investment activity and contribute to strengthening and increasing prosperity in both countries, they have agreed as follows:

**Article (1)**

**Definitions**

For the purposes of this Convention:

1- The term "investor" in relation to either of the contracting parties shall refer to:

a- Natural persons who are considered, according to the laws of that contracting party, as its nationals.

b- The government of that contracting state and its entities and financial institutions.

c- Legal entities, including companies, authorities, business establishments, and other institutions that are established or organized under the laws of that contracting party and have their headquarters within the territories of that contracting state itself. The provisions of this subparagraph shall apply to holding companies or foreign companies (offshore) registered with either of the contracting parties.

2- The term "investments" shall include every kind of (asset), and encompasses, but is not limited to:

a- Movable and immovable property, as well as any other real rights, such as liens, mortgages, and guarantees.

b- Shares in companies and other forms of equity participation in companies.

c- Intellectual property rights, including copyrights, patents, industrial designs or models, trademarks or service marks, trade names, trade secrets, technical processes, technical expertise, and goodwill associated with the trade name, as well as any similar rights provided by the laws of the contracting parties.

d- Business concessions granted under public law, including concessions for exploration, extraction, or exploitation of natural resources, as well as all other rights granted under the law, contract, or authority's decision according to the law. Any change in the form in which the (assets) are invested, or reinvested, shall not affect their status as investments.

3- The term "returns" means the amounts yielded by an investment, including, but not limited to, profits, dividends, interests, capital gains, royalties, fees for management services, technical assistance, or other fees, regardless of the form in which the return is made.

4- The phrase "territory of a contracting state" shall mean:

The “Kingdom of Bahrain”, and when used geographically, it refers to the lands of the Kingdom of Bahrain, as well as the maritime areas, sea beds and the land beneath them over which the Kingdom of Bahrain exercises sovereignty and judicial jurisdiction in accordance with international law.

The “Republic of Lebanon”, including its territorial waters and its exclusive economic zone over which the Republic of Lebanon exercises its sovereignty, sovereign rights and jurisdiction in accordance with its internal law and international law, particularly with regard to the exploration of natural, biological and mineral resources in the waters of the sea, sea beds, and the subsoil beneath these waters, and their exploitation.

**Article (2)**

**Promotion and Protection of Investments**

1- Each contracting party shall, to the extent possible, promote investments within its territory by investors of the other contracting party and accept such investments in accordance with its laws and regulations.

2- When a contracting party has accepted an investment for employment within its territory, it shall, in accordance with its laws and regulations, grant the necessary licenses related to that investment, including permits for the use of senior managerial and technical personnel as chosen by them, regardless of nationality.

3- Each contracting party shall protect investments employed within its territory by investors of the other contracting party, in accordance with its laws and regulations, and shall not cause harm through unlawful or discriminatory measures to the management, continuation, use, exercise of rights, extension, sale, or liquidation of such investments.

**Article (3)**

**Provisions of National Treatment and Most-Favoured-Nation Treatment**

1- Each contracting party shall ensure fair and equitable treatment within its territories to investments of investors of the other contracting party. Such treatment shall be no less favourable than that which each Contracting Party grants to investments made within its territory by its own investors, or that which each Contracting Party grants to investments made within its territory by investors of any third country, if such last-mentioned treatment is more favourable.

2- The most favoured nation treatment shall not be interpreted in such a way as to require a contracting party to grant to investors and investments of the other contracting party the advantages resulting from any existing or future customs union, economic union, free trade area or regional economic institution of which either contracting party is or becomes a member. Such treatment shall also not be construed to relate to any advantage accorded by either contracting party to investors of a third country under a double taxation convention or other mutual conventions regarding tax matters.

3- However, the provisions of paragraph (1) of this article shall not apply to treatment granted to investors from member countries of the Arab League with respect to real property ownership, except to the extent permitted by local laws and regulations.

**Article (4)**

**Compensation for Losses**

1- Investors of one Contracting Party whose investments in the territory of the other Contracting Party suffer losses owing to war or other armed conflict, revolution, state of national emergency, revolt, insurrection, or riot within the territory of the second contracting party, the treatment shall not be less favourable than the treatment granted to investors, or that granted to investors of any other country, concerning restitution of rights to their owners, or indemnification for potential losses or compensation, or any other settlements, ensuring the freedom to transfer such compensations.

2- Without prejudice to the provisions of paragraph (1) above in this Article, the restitution of rights or compensation for investors of either of the contracting parties shall be made in a fair and adequate manner, ensuring the freedom to transfer the amounts of such compensations in the event that they suffer losses in any of the circumstances referred to in that paragraph within the territory of the other contracting party, and it is resulting from:

a- Confiscation of their assets by the forces or authorities of the other party.

b- Destruction of their properties by the forces or authorities of the other contracting party, if such destruction did not take place in a combat battle or was required by the necessity of the circumstances. Their rights shall be restored to them or they shall be provided with fair and adequate compensations, ensuring the freedom to transfer the amounts resulting from such compensations.

**Article (5)**

**Expropriation (Nationalisation)**

1- Investments of investors of either of the contracting parties shall enjoy protection and security in the territory of the other contracting party.

2- Neither of the contracting parties should directly or indirectly undertake expropriation or nationalization measures, or any other measures of a similar nature, regarding the investments of investors of the other contracting party, except when such measures are taken in the public interest as prescribed by law, on a non-discriminatory basis, through legal procedures, and subject to arrangements for providing effective and adequate compensation according to prevailing public law, without any form of discrimination. This compensation shall directly correspond to the value of the investments that were expropriated,, prior to the date on which the expropriation, nationalization, or similar action was actually carried out or publicly announced. This compensation shall be paid without delay, bear the usual bank interest until the time of payment, and be subject to effective investigation and freely transferable. Appropriate measures shall be taken either before or at the time of expropriation, nationalization or similar action to determine and ensure the payment of this compensation. The legality of any expropriation, nationalization or similar action as well as the amount of compensation, shall be subject to legal review.

3- The provisions of paragraph (2) of this Article also apply when a contracting party expropriates the ownership of assets of a company established under the prevailing law in any part of its territory, in which investors affiliated with the other contracting party hold shares.

**Article (6)**

**Free Transfer of Investments and Investment Returns**

1- Each contracting party having investments within its territory from investors of the other contracting party shall grant those investors the free transfer of payments related to these investments. This includes, but is not limited to, the following:

a- Returns according to paragraph "3" of Article (1) of this Convention.

b- Amounts related to loans incurred or other contractual obligations undertaken for the investment.

c- The accumulated proceeds from the total or partial sale of an investment or the transfer or liquidation of its ownership.

d- Gains and other compensations received by nationals of the other contracting party who are permitted to work concerning an investment deployed within the territory of the other contracting party.

e- Capital and additional amounts designated for the continuation or expansion of the investment.

f- Compensation paid pursuant to Articles 4 and 5 of this Convention.

2- The contracting party hosting investment (within its territory) shall allow investors of the other contracting party to deal with the foreign exchange market on a non-discriminatory basis and to purchase the necessary foreign currency for transfers under this Article at the prevailing exchange rate in the market on the date of transfer.

3- The contracting parties shall undertake to facilitate the necessary procedures for making these transfers without delay, following the practices prevailing in international financial centres. Additionally, both contracting parties shall commit to fulfilling the formal procedures required for obtaining foreign currency and its actual transfer abroad within a period of three months. Furthermore, both contracting parties shall commit to providing the transfers mentioned in this Article with treatment no less favourable than that granted to transfers arising from investments made by investors affiliated with any third country.

**Article (7)**

**Either of the contracting parties taking the place of its investor citizen**

If either of the contracting parties or its designated agency pays an amount to any of investors under any financial guarantee against non-commercial risks that it had granted in relation to an investment in the territory of the other contracting party, the latter contracting party shall, without prejudice to the rights of the former contracting party under Article 9 of this Convention, acknowledge a waiver, whether under a law or in accordance with a legal transaction, of any proprietary right of that investor to the former contracting party or its designated agency. The latter contracting party shall also acknowledge the substitution of the former contracting party (in place of the investor) in respect of any such right or claim, that the former contracting party has the right to assert the extent of that right as a lien in the ownership of (that right). The other contracting party shall have the right to set off the taxes and other public charges due and payable by the investor against what is owed to it.

**Article (8)**

**Settlement of Disputes Between a Contracting Party and an Investor of the other Contracting Party**

1- For the purpose of resolving disputes related to investments between a Contracting Party and an investor of the other Contracting Party, consultations shall be conducted between the relevant parties with the aim of reaching an amicable solution whenever possible.

2- If such consultations do not lead to a resolution within six months from the date of the written settlement request, the investor may, at their discretion, submit the dispute for settlement to:

a- The competent court of the contracting party in whose territory the investment was made, or

b- In accordance with the provisions of the specific section on dispute settlement from the Unified Agreement for the Investment of Arab Capital in the Arab States of 1980, or

c- The International Centre for Settlement of Investment Disputes pursuant to the provisions of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, opened for signature in Washington, D.C., on 18 March 1965, in case both contracting parties are signatories to this Convention, or

d- An arbitration tribunal established for this purpose in accordance with the rules of arbitration of the United Nations Commission on International Trade Law, unless otherwise agreed upon by the disputing parties.

3- The arbitration tribunal shall decide on the subject of the dispute in accordance with the provisions of this Convention, international law and its established principles. Arbitral awards shall be final and binding on the parties to the dispute. Each contracting party shall implement such a decision without delay, and such a decision shall be enforced in accordance with local law.

4- The contracting party that is a party to the dispute shall not at any time invoke, during legal procedures for the settlement of the investment dispute, as a defence that the investor has received compensation under an insurance contract covering damages or losses, whether in whole or in part.

**Article (9)**

**Settlement of Disputes Between the Contracting Parties**

1- Disputes between the Contracting Parties concerning the interpretation or application of this Convention shall, if possible, be settled through diplomatic channels.

2- If both contracting parties are unable to reach an agreement within six months from the start of negotiations, the dispute shall be submitted, upon the request of either contracting party, to an arbitration tribunal composed of three members. Each contracting party shall appoint one arbitrator, and these arbitrators shall appoint a president of the arbitration tribunal who shall be a national of a third country.

3- If either of the contracting parties fails to appoint their arbitrator and disregards the invitation of the other contracting party to make such an appointment within two months, that arbitrator shall be appointed, upon the request of the latter contracting party, by the President of the International Court of Justice.

4- If both arbitrators are unable to agree on the selection of the chairman of the arbitration tribunal within two months after their appointment, the president shall be appointed, upon the request of either of the contracting parties, by the President of the International Court of Justice.

5- If the President of the International Court of Justice is prevented from performing the tasks mentioned in paragraphs "3" and "4" of this Article or if they are nationals of either of the contracting parties, such appointment shall be made by the Deputy President of the International Court of Justice. If the Deputy President is prevented from performing the mentioned tasks or if they are nationals of either of the contracting parties, such appointment shall be made by the most senior judge of the court who is not a national of either of the contracting parties.

6- The arbitration tribunal shall reach its decisions by a majority of votes.

7- The arbitration tribunal shall issue its decisions based on the respect of the law and the provisions contained in this Convention regarding other valid conventions between the contracting parties, as well as on the basis of generally accepted principles of international law.

8- Taking into consideration other provisions agreed upon by the contracting parties, the arbitration tribunal shall determine its legal procedures.

9- Each contracting party shall bear the expenses of the arbitrator they have appointed and the expenses related to their representation in the arbitration sessions. The contracting parties shall share equally the expenses of the president of the arbitration tribunal and the remaining expenses, and the arbitration tribunal may establish a different system regarding expenses.

10- The decisions of the Arbitral Tribunal shall be final and binding to both contracting parties.

**Article (10)**

**Application of Other Provisions**

1- If the legislation of either Contracting Party or obligations arising under international law, existing or subsequently arising between the Contracting Parties in addition to this Convention, contain arrangements, whether general or specific, by virtue of which it shall be granted to investments made by investors of the other Contracting Party more favourable treatment than that provided for in this Convention, such rules shall prevail over this Convention to the extent that they are more favourable.

2- Each contracting party shall consider any other obligation it may have undertaken with regard to investments made within its territory by investors from the other contracting party.

**Article (11)**

**Scope of Application for Investments**

This current Convention also applies to investments that have been made within the territory of a contracting party according to its laws and regulations by investors from the other contracting party before the entry into force of this Convention. However, this Convention shall not apply to disputes that have arisen before its entry into force.

**Article (12)**

**Relations between the Governments**

This Convention shall remain in force regardless of whether diplomatic or consular relations exist between the contracting parties.

**Article (13)**

**Entry into Force of the Convention**

Each Contracting State shall notify the other Contracting State of the completion of the constitutional and legal procedures required for the ratification of the Convention and the enactment of its provisions into law. The Convention shall enter into force thirty days after the date of receipt of the last notification.

**Article (14)**

**Duration and Termination of the Convention**

This Convention shall remain in force for a period of ten years and shall continue to be in force thereafter, unless one of the contracting parties notifies the other in writing through diplomatic channels of its desire to terminate the application of the Convention one year prior to its expiry. Regarding investments made during the validity of the Convention, the provisions of the Convention concerning those investments shall continue to apply for a period of ten years after the termination of the Convention, without prejudice to the subsequent application of the principles of international law.

In witness whereof, the undersigned duly authorized thereto by their respective governments, have signed this Convention.

Drafted in two original copies in Beirut on 9 Jumada al-Akhir 1424 A.H., corresponding to 7 August 2003 , in the Arabic language, and each copy shall be considered an original.

**For the government of**

**The Kingdom of Bahrain**

**Abdulla bin Hassan Saif**

**Minister of Finance and National Economy**

**For the government of**

**Republic of Lebanon**

**Fouad Siniora**

**Minister of Finance**